

## **GENERAL INFORMATION**

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **The Blissfield State Bank, Blissfield, Michigan** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **February 10, 1997**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

**INSTITUTION'S RATING:** This institution is rated **Satisfactory**.

The Blissfield State Bank actively provides for the credit needs of its assessment area. The bank's loan-to-deposit ratio and percentage of loans within the assessment area meets the standards for satisfactory performance. A six-month loan sample and information reflected in consolidated reports of condition indicated that the bank's loans are well distributed among borrowers of different income levels and small businesses and small farms of different sizes. In addition, the geographic distribution of the bank's loans reflect a reasonable penetration throughout the assessment area. There is no evidence of prohibited discriminatory lending practices, or policies intended to discourage loan applicants. No CRA-related complaints were received by the bank since the previous examination.

**DESCRIPTION OF INSTITUTION**

The Blissfield State Bank, with \$66 million in assets as of September 30, 1996, is a subsidiary of Blissfield Bank Corporation, a one-bank holding company. The bank has its main office in Blissfield, Michigan with a limited-service branch located on the west side of Blissfield. The bank offers deposit and loans services. Mortgage loans include conventional loans with financing up to 90% loan-to-value and private mortgage insurance coverage, construction, unimproved real estate and mobile home loans. Consumer loans consist of home equity lines of credit, direct and indirect instalment, overdraft protection, credit card and student loans. The bank also makes loans to small businesses and farms. Based upon information contained in the September 30, 1996 Uniform Bank Performance Report (UBPR), approximately 68.79% of the bank's loan portfolio is real estate, with 45.76% of real estate loans secured by one-to-four family residences. Loans to individuals, agricultural and commercial loans comprise 23.57%, 6.07% and 1.56%, respectively.

There are no financial institutions of similar asset size located in the bank's assessment area. The financial institutions located in the bank's assessment area are branches of large financial institutions such as Key Bank, NA (Cleveland, Ohio), Standard Federal Bank (Troy, Michigan), and United Bank & Trust (Tecumseh, Michigan). Although not located in Blissfield State Bank's assessment area, Onsted State Bank is located in the same general market area, Lenawee County, and is of similar asset size (\$45 million), according to the Fall 1996 McFadden American Financial Directory.

**DESCRIPTION OF THE BANK-S ASSESSMENT AREA**

The bank's main office and branch are located in the Village of Blissfield. The village is located in Lenawee County, Michigan, approximately 25 miles northwest of Toledo, Ohio. The institution has defined four census tracts (610, 611, 612, and 620) in Lenawee County as its assessment area. These census tracts encompass the Village of Blissfield and Blissfield, Deerfield, Riga, Fairfield, Ogden and Palmyra Townships. The assessment area is located within the Ann Arbor Metropolitan Statistical Area (MSA). Census tracts 611 and 620 are designated as moderate-income (less than 80% and greater than 50% of median family income). The bank has no low-income or minority census tracts within its assessment area.

According to the 1990 census data, the population in the bank's assessment area is 12,143. The racial makeup of the population is as follows: Whites - 11,666 or 96.1%; Hispanics - 353 or 2.9%; Blacks - 61 or 0.5%; Asian - 18 or 0.1%; American Indians - 40 or 0.3%; and all other minorities 5. The assessment area's housing market consist of 4,546 total housing units; 3,504 (77.1%) are owner-occupied, 869 (19.1%) are rental units and 173 (3.8%) are vacant. One-to-four family units and five or more units account for 89.3% and 2.6% of total housing units, respectively. The median housing value in the assessment area is \$48,703, compared to \$87,057 and \$60,062 for the MSA and state, respectively. The median family income in the assessment area is \$33,294, compared to \$45,123 and \$36,652 for the MSA and state, respectively. The number and percentage of families in the assessment area, by income level, is as follows: low-

income - 918 or 26.5%; moderate-income - 974 or 28.1%; middle-income - 878 or 25.4%; and upper-income - 691 or 20.0%.

Some of the largest employers in Lenawee County are listed below:

<b>Name</b>	<b>Location</b>	<b>Number of Employees</b>	<b>Type</b>
Tecumseh Products Co.	Tecumseh	10,000	Refrigeration, air conditioning and warm air heating equipment
Merillat Industries, Inc.	Adrian	3,649	Wood Products
General Motors Corporation	Adrian	1,050	Motor vehicle parts and accessories
Wacker Silicones Corp.	Adrian	999	Synthetic rubber
Peerless Gear & Machinery Division	Clinton	530	Transmission Equipment
Libbey Owens Ford	Clinton	400	Glass Products
Dura Convertible Systems Division	Adrian	400	Motor vehicle parts and accessories
Lenawee Stamping Corp	Tecumseh	300	Metal Parts
Blissfield Manufacturing Co.	Blissfield	300	Refrigeration, air conditioning and warm air heating equipment
Blissfield Canning Co., Inc.	Blissfield	249	Canning

According to the Michigan Department of Labor Market Information, the September, 1996 unemployment rate for Lenawee County was 3.8%, which compares favorably with the 4.2 % rate for the State of Michigan.

#### **CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

There was no evidence of prohibited discriminatory credit practices. The bank is in compliance with the substantive provisions of antidiscrimination laws and regulations, including the Equal Credit Opportunity and Fair Housing Acts.

### Loan-To-Deposit Ratio Analysis

A review of the bank's September 30, 1996 Consolidated Report of Condition revealed a loan-to-deposit ratio of 71%. A review of the bank's Consolidated Report of Condition over the most recent four quarters, beginning December 31, 1995, revealed an average loan-to-deposit ratio of 64.55%. During this period net loans increased \$6,586,000 or 20.34%, from \$32.4 million to \$39 million, while interest bearing deposits increased \$645,000 or 1.30%, from \$49.6 million to \$50.3 million.

A review of the most recently available Uniform Bank Performance Report (UBPR), dated September 30, 1996, revealed the bank's net loan-to-deposit ratio was 71%, which exceeds the peer group by 1.76%. As previously mentioned, Onsted State Bank is of similar asset size and is located in the same county as the subject bank. According to the Fall 1996 McFadden American Financial Directory, Onsted State Bank had a loan-to-deposit ratio of 70.35%, which is similar to the bank's Fall 1996 loan-to-deposit ratio of 68.61%. Overall, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

### Lending in Assessment Area

A sample of real estate, commercial/agricultural and installment loans, home equity lines of credit and credit cards for the six-month period July 1, 1996 through December 31, 1996 was reviewed to determine the bank's level of lending within the assessment area. The review of the loan sample revealed the following geographic distribution:

LOAN TYPE	TOTAL SAMPLED	WITHIN THE LOCAL DELINEATED COMMUNITY	PERCENT OF TOTAL
Installment Loans	151	101	66.89
Home Equity Lines of Credit	25	23	92.00
Credit Cards	17	14	82.35
Real Estate Mortgages	45	31	68.89
Commercial/Agricultural	56	39	69.64
Total	294	208	70.75

As the preceding chart illustrates, 70.75% of all loans sampled for the six-month period were within the bank's assessment area. Home equity lines of credit had the highest percentage (92%) of loans in the assessment area. Overall, the bank's lending within its assessment area meets the standards for satisfactory performance.

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's commercial/agriculture, installment and residential real estate loans and credit card accounts were reviewed for the six-month period from July 1, 1996 to December 31, 1996. The following chart summarizes the distribution, based on MSA Median Family Income of \$45,123, for the six-month sample of originated loans for which income was recorded:

LOAN TYPE	LOW-INCOME \$000's/Number	MODERATE- INCOME \$000's/Number	MIDDLE-INCOME \$000's/Number	UPPER-INCOME \$000's/Number
Installment Loans	\$183,031/36	\$320,650/27	\$74,173/11	\$76,597/9
Home Equity Lines of Credit	\$31,000/3	\$133,500/3	\$95,500/4	\$307,200/13
Credit Cards	\$8,000/8	\$2,000/2	\$2,500/1	-0-
Real Estate Mortgages	\$206,000/3	\$302,000/6	\$490,000/9	\$912,000/12
Grand Totals	\$428,031/50	\$758,150/38	\$662,173/25	\$1,295,797/34

A total of 238 consumer loans were sampled, of which 169 loans were within the assessment area (income was recorded for 147 loans). The distribution of the 147 loans, based on income, revealed the following: 50 loans or 34.01%, totaling \$428,031 (13.61%) were made to low-income applicants, 38 loans or 25.85%, totaling \$758,150 (24.11%) were made to moderate-income applicants, 25 loans or 17.01%, totaling \$662,173 (21.06%) were made to middle-income applicants and 34 loans or 23.13%, totaling \$1,295,797 (41.21%) were made to upper-income applicants. A total of 88 of the 147 loans (59.86%) were made to low- and moderate-income applicants. By comparison, low- and moderate-income families comprise 54.60% of the total number of families in the assessment area. Residential mortgages are the bank's dominant product. Low- and moderate-income borrowers received 9 or 30.00% of the total of 30 mortgage loans originated.

### Small Farm and Small Business Loans

A total of 56 commercial and agricultural loans were sampled, of which 39 were within the assessment area. Of this total, 33 loans (84.62%) for which income was recorded, totaling \$543,039, were to small farms (annual revenues of less than \$1 million) and small businesses (annual revenues less than \$1 million). The bank's 1996 and 1995 Consolidated

Reports of Condition (as of June 30) were used to further determine the distribution of the bank's loans to small farms and small businesses. The following chart summarizes the bank's loan distribution to small farms and small businesses:

Loan \$ Category (000's)	1996 #	1996 \$	%	1995 #	1995 \$	%
<b>Small Business</b>						
\$100 or less	21	841	75.00	25	837	80.64
\$100 - \$250	6	690	21.43	5	636	16.13
\$250 - \$1 million	1	284	3.57	1	261	3.23
TOTAL	28	1,815	100%	31	1,734	100%
<b>Commercial Real Estate</b>						
\$100 or less	32	419	88.89	31	485	96.87
\$100 - \$250	2	81	5.56	1	46	3.13
\$250 - \$1 million	2	0	5.55	N/A	N/A	N/A
TOTAL	36	500	100%	32	531	100%
<b>Farmland</b>						
\$100 or less	55	2,455	64.70	59	2,538	67.82
\$100 - \$250	29	3,355	34.12	27	3,228	31.03
\$250 - \$1 million	1	309	1.18	1	326	1.15
TOTAL	85	6,119	100%	87	6,092	100%
<b>Small Agricultural</b>						
\$100 or less	91	1,830	90.10	125	2,503	97.66
\$100 - \$250	10	715	9.90	3	320	2.34
\$250 - \$1 million	0	N/A	N/A	N/A	N/A	N/A
TOTAL	101	2,545	100%	128	2,823	100%

The preceding chart illustrates that a substantial majority of loans were in amounts of \$100,000 or less. The total number of small agricultural loans outstanding decreased by 27 loans or 21.09% from 1995 to 1996. The primary reason for this decrease was the significant decrease in crop yields. According to management, 1995 crop yields were exceptionally high, which was not the

case in 1996. As a result of lower 1996 crop yields, farmers' income was decreased by approximately 35.00%, which resulted in lower demand for agricultural loans.

Overall, the bank's distribution of loans to different income levels and small businesses and small farms exceeds the standards for satisfactory performance.

### Geographic Distribution of Loans

A total of 294 loans were sampled, of which 208 loans were within the bank's assessment area. The assessment area consists of four census tracts. Based on census data, census tracts 611 and 620 are defined as moderate-income census tracts. The following chart represents the geographic distribution of installment, commercial/agricultural and real estate loans, home equity lines of credit and credit cards throughout the assessment area for the six-month period from July 1, 1996 to December 31, 1996.

DISTRIBUTION OF LOANS THROUGHOUT ASSESSMENT AREA					
CENSUS TRACT	POPULATION	# OF LOANS	PERCENT	DOLLAR AMOUNT	PERCENT
610	4,057	78	37.50	\$1,734,559	43.36
611	2,910	89	42.79	\$1,588,294	39.71
612	1,999	22	10.58	\$314,058	7.85
620	3,177	19	9.13	\$363,023	9.08
TOTALS	12,143	208	100%	\$3,999,934	100%

Census tract 611 revealed the highest concentration of loans, 89 or 42.79% of total loans in the assessment area, totaling \$1,588,294 (39.71%). The bank's main office is located in census tract 611. Census tract 610 has the next highest concentration of loans, 78 or 37.50% and the highest dollar amount of loans, \$1,734,559 (43.36%). Of the three remaining census tracts, tract number 610 is the closest to the bank's main office. Census tracts 612 and 620 have the fewest number of loans, 22 and 19, respectively. These two tracts are the furthest distances away from the main office, and tract number 612 has the smallest population of any of the other tracts. Overall, the bank's geographic distribution of loans throughout the assessment area meets the standards for satisfactory performance.

### Response to Substantiated Complaints

No complaints were received by the institution regarding its CRA performance since the previous examination.